

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
DOCKET NO. 2017-381-A

IN RE:

**IMPACT OF THE TAX CUTS
AND JOBS ACT ON
SOUTH CAROLINA UTILITIES**

)
)
)
)
)

**COMMENTS OF PIEDMONT
NATURAL GAS COMPANY, INC.**

Pursuant to Order No. 2018-26 and the applicable rules of practice and procedure of the Public Service Commission of South Carolina (“Commission”), Piedmont Natural Gas Company Inc. (“Piedmont or “Company”) respectfully submits these comments related to reports to be filed regarding the impact of the Tax Cuts and Jobs Act of 2017 (the “Act”) on utility operations. As ordered, these comments address the timing and format of the reports.

BACKGROUND

On December 28, 2017, the Office of Regulatory Staff (“ORS”) filed a petition in Docket No. 2017-381-A (“Petition”) requesting that the Commission order all investor-owned utility companies under the Commission’s jurisdiction to report the impact of the Act on each company’s operations. The Petition stated that the Act will, among other things, decrease the federal corporate tax rate from 35 percent to 21 percent, and acknowledged that the federal corporate tax is recovered through tariff rates charged to utility customers. The Petition stated that each utility should file an estimate of its determination of the Act’s effects on its most recent available test year information, and an explanation of those effects. The Petition further stated that each utility should propose procedures for changing rates to reflect the effects of the Act. The Petition requested that the Commission’s order state that the rates in effect as of January 1,

2018 are subject to refund to ensure ratepayers receive the benefits of the tax changes. The Petition acknowledged that other ratemaking treatments could be explored to ensure that ratepayers receive the benefits of the tax changes as of January 1, 2018.

In Order No. 2018-26, the Commission granted the Petition of ORS and set a deadline of January 24, 2018 for comments from companies about the timing and format of the reports to be filed. The Commission stated that, if necessary, a procedural schedule will be set following the submission of reports by the utilities, and that companies are encouraged to file comments regarding an appropriate schedule when their reports are filed.

COMMENTS

The Act provides the most extensive changes to the Internal Revenue Code in over thirty years,¹ and utilities will need time to work through the impact of these changes, and to ensure that the information and recommendations provided to the Commission are accurate and complete. The lower tax rates established by the Act must be considered in the larger context of both the operational realities facing impacted utilities and the full scope of the Act's provisions. Such consideration should also balance potential benefits to customers with potential harm to the underlying utility's financial structure and economic integrity resulting from implementation of the Act. Failure to do so could negatively impact utilities' continuing ability to efficiently fund new infrastructure investment, provide safe and reliable service at reasonable costs, and expand service to citizens of the State of South Carolina.

Pursuant to the Commission's Order, Piedmont will defer as a regulatory liability (1) all excess deferred income tax balances created by the Act in 2017, and (2) the estimated difference

¹ See, e.g., Jed A. Roher, *Impact of Final Tax Reform Legislation*, THE NATIONAL LAW REVIEW, Jan. 15, 2018, available at <https://www.natlawreview.com/printpdf/91387>; Thomas Kaplan & Alan Rappeport, *Republican Tax Bill Passes Senate in 51-48 Vote*, N.Y. TIMES, Dec. 19, 2017.

between customer revenues actually billed and what would have been billed taking into effect the reduced corporate tax rate beginning January 1, 2018 until the Commission determines the timing and nature of returning such benefits to retail customers.

Format: The Company submits that the format of the reports provided by the utilities should contain information regarding (1) timing of upcoming rate modification proceedings, if any, and whether the subject utility plans to address this matter in such proceedings; (2) an estimate of its determination of the Act's effects on its most recent available test year information as requested by the ORS; (3) investments and other costs that could be potentially offset by the tax decrease; (4) a description and quantification of excess deferred income taxes ("EDITs") that may result from the Act, any proposals for amortization of such EDITs, and any corresponding changes to rate base, including estimates if available; and (5) other aspects of the Act that may affect utilities, such as the elimination of bonus depreciation, and whether those changes affect the amounts that could benefit customers.

Timing: Given the extensive and novel nature of the tax code changes, the Company proposes that the information described above be provided to the Commission at the conclusion of the 1st quarter of 2018—in other words, no later than April 2, 2018. This should provide sufficient time to ensure that the utilities addressed in Order No. 2018-26 are in a position to provide complete and accurate information to the Commission. A potential date for reply comments could be May 1st, unless otherwise addressed in an ongoing rate proceeding by any given utility. Given that Piedmont will account for and reserve the deferred tax benefits as required by Commission order, the time frame proposed by the Company is reasonable and ensures that customer benefit is appropriately captured as the Commission considers next steps on this complex matter.

Piedmont respectfully submits the foregoing comments for the Commission's consideration this 24th day of January, 2018

PIEDMONT NATURAL GAS COMPANY, INC.

Scott Tyler
Moore & Van Allen PLLC
100 North Tryon Street, Suite 4700
Charlotte, NC 28202
(704) 331-2463
scotttyler@mvalaw.com

James H. Jeffries IV
Moore & Van Allen PLLC
100 North Tryon Street, Suite 4700
Charlotte, NC 28202
(704) 331-1079
jimjeffries@mvalaw.com